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IDENTIFIERS	*Workforce Investment Act 1998

ABSTRACT

A study assessed the formulas used to distribute funds to the states under the Workforce Investment Act (WIA) 1998. It identified mismatches that might exist between the formulas and WIA's program goals and populations served and identified where the formulas are most vulnerable to wide fluctuations in funding levels from year to year. Issues associated with the current formulas were found in three areas. The first issue was that some of the factors used in the formulas to allocate funds were clearly not aligned with the programs' modified target populations. The second issue was that there are time lags between when the data are collected and when the allocations are available to states, so the allocations may not reflect current labor market conditions. The third issue was excessive volatility in funding for the Dislocated Worker Program unrelated to fluctuations in the target populations. (The five-page report is accompanied by these extensive appendixes: WIA allocation formulas; current Federal job training allocation formulas; program year 2002 youth and adult allocations; and state dislocated worker allocations, PY 1997-PY 2002.) (YLB)

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United States General Accounting Office

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Report to Congressional Requesters

April 2003

WORKFORCE INVESTMENT ACT

Issues Related to Allocation Formulas for Youth, Adults, and Dislocated Workers

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Abbreviations

ASU	Area of Substantial Unemployment
JTPA	Job Training Partnership Act of 1982
WIA	Workforce Investment Act

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United States General Accounting Office
Washington, DC 20548

April 25, 2003

The Honorable Judd Gregg
Chairman
The Honorable Edward M. Kennedy
Ranking Minority Member
Committee on Health, Education, Labor, and Pensions
United States Senate

The Workforce Investment Act (WIA) of 1998 required states to streamline employment and training services and established three separate funding streams for serving youth, adults, and dislocated workers, for which about $3.3 billion was appropriated for fiscal year 2003. The formulas for distributing these funds to the states were left largely unchanged from those used to distribute funds under the Job Training Partnership Act (JTPA) of 1982, which served a different set of target populations. In anticipation of the upcoming debates on WIA's reauthorization, you asked us to review these formulas in the context of current program goals. Specifically, you asked us to assess the formulas used to distribute funds to the states, identifying any mismatches that might exist between the formulas and WIA's program goals and populations served and identifying where the formulas are most vulnerable to wide fluctuations in funding levels from year to year.

To identify issues associated with the current formulas, we: (1) summarized relevant provisions of the WIA statute and compared formula factors with target populations for each program, (2) analyzed the U.S. Department of Labor's formula calculations and states' historical allocations to identify factors that contribute to fluctuations in yearly funding levels, and (3) interviewed key experts and program stakeholders and reviewed relevant literature on federal workforce training policy and federal funding formulas. We conducted our work from December 2002 to February 2003 in accordance with generally accepted government auditing standards.

On February 28, 2003, we briefed your offices on the results of our work. This report conveys the information provided during that briefing.

We identified issues associated with the current formulas in three areas: misalignment between some of the formula factors used to allocate funds and the target populations for these programs, time lags in the data used to determine these allocations, and excessive funding volatility associated

with the Dislocated Worker Program unrelated to fluctuations in the target populations. As a result, states' funding levels may not always be consistent with their underlying need for services.

The first issue we identified is that some of the factors used in the formulas to allocate funds are not clearly aligned with the programs' modified target populations. This may limit the ability to achieve a key goal of federal allocation formulas, which is to distribute program funds to areas based on their relative shares of people eligible to receive services. Specifically, the Youth program now serves a more specific group of low-income youth with certain barriers to employment.[1] However, two-thirds of its funds are distributed based on two factors that measure general unemployment rather than youth unemployment.[2] The remaining third is distributed according to the number of low-income youth in states, but even this factor does not measure low-income youth who face barriers to employment. The target population and formula for the WIA Adult program also are misaligned. The Adult program under WIA is targeted to a broader population than was targeted under JTPA—WIA is open to all adults regardless of income for basic services, while low-income adults and public assistance recipients have priority for training and other more intensive services. However, the WIA Adult allocation formula is more narrowly focused on states' relative shares of excess unemployment, unemployment in Areas of Substantial Unemployment (ASUs), and low-income adults. Finally, the Dislocated Worker Program is targeted to several specific categories of individuals, including those eligible for unemployment insurance and workers affected by mass layoffs. The factors used to distribute Dislocated Worker funds are not, however, specifically related to these populations. Two-thirds of program funds are distributed according to factors that measure general unemployment.[3] One-third is distributed according to the number of long-term unemployed, a group that is no longer automatically eligible for the program.

[1]Barriers to employment include being a school dropout; deficient in basic literacy skills; homeless, runaway, or in foster care; pregnant or a parent; an offender; or requiring help completing an educational program or securing and holding a job. Up to 5 percent of youth may be non low-income if they have barriers to school completion or employment.

[2]These two factors are unemployment in ASUs (contiguous areas with populations of 10,000 or more and unemployment greater than 6.5 percent) and excess unemployment (unemployment greater than 4.5 percent either statewide or in ASUs).

[3]These two factors are total unemployment and excess unemployment.

The second issue is that there are time lags between when the data are collected and when the allocations are available to states, so that the allocations may not reflect current labor market conditions. The oldest data are those used in the Youth and Adult program formulas to measure the relative numbers of low-income individuals in the states. The decennial Census is the source for these data, and allocations under this factor through 2002[4] are based on data from the 1990 Census.[5] The data used to measure two of three factors for both the Youth and Adult programs are more recent, but are still as much as 12 months out of date.[6] The time lags for the data used to calculate Dislocated Worker allocations range from 9 months to 18 months. To the extent that they are available, more current data may reflect more accurately the nationwide shifts in unemployment and poverty that may affect states' workloads for these programs.

The third issue we identified is excessive volatility in funding for the Dislocated Worker Program.[7] That funding was significantly more volatile—as much as 3 times more so—than funding for either the Youth or Adult program. Some states have reported that this volatility makes program planning difficult. While some degree of change in funding is to be expected due to changing dislocations in the workforce, changes in funding do not necessarily correspond to these changes. For example, changes in the numbers of workers affected by mass layoffs from year to year—one measure of dislocation activity—ran counter to changes in Dislocated Worker allocations in several states we examined. Several aspects of the Dislocated Worker formula contribute to funding volatility and to the seeming lack of consistency between dislocation and funding. The excess unemployment factor has a "threshold" effect—states may or may not qualify for the one-third of funds allocated under this factor in a given year, based on whether or not they meet the threshold condition of

[4]Data from the 2000 Census will be used to calculate this factor for the 2003 program year. However, under current procedures, these data will not be updated for successive program years until the 2010 Census data become available.

[5]Data collected for the 1990 Census reflect income levels in calendar year 1989.

[6]These factors are excess unemployment and unemployment in ASUs.

[7]We initially identified this problem in an earlier report: U.S. General Accounting Office, *Workforce Investment Act: Better Guidance and Revised Funding Formula Would Enhance Dislocated Worker Program*, GAO-02-274 (Washington, D.C.: Feb. 11, 2002).

having at least 4.5 percent unemployment statewide.[8] As a result, small changes in unemployment can cause large changes in funding, and when the economy is strong and few states have unemployment over 4.5 percent, the states that do qualify for this pot of funds may experience large funding increases even if their unemployment falls. In addition, the Dislocated Worker formula is not subject to the additional statutory provisions that mitigate volatility in Youth and Adult program funding. These provisions include "hold harmless" and "stop gain" constraints that limit changes in funding to within 90 and 130 percent of each state's prior year allocation and also "small state minimums" that ensure that each state receives at least 0.25 percent of the total national allocation. While these provisions prevent dramatic shifts in funding from year to year, they also result in allocations that may not as closely track changes in the program target populations.[9]

Developing alternative funding formulas to address the issues we have identified is an important but challenging task. This task is complicated by the need to strike an appropriate balance among various objectives, such as using formula factors that are best aligned with program target populations and reducing time lags in data sources, while also using available data sources to measure these factors as accurately as possible. In addition, there have been proposals for reauthorizing WIA that would substantially modify the program target populations and funding streams, which in turn would have consequences for revising the funding formulas.

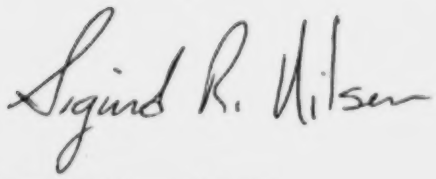
We provided a draft of this report to the Department of Labor for technical review and made changes as appropriate.

We are sending copies of the report to the Secretary of Labor and other interested parties. We will also make copies available to others upon

[8]In contrast, the threshold condition for excess unemployment in the Youth and Adult programs can be met either by having at least 4.5 percent unemployment statewide or 4.5 percent unemployment in one or more ASUs. However, the use of ASU unemployment levels has been criticized by experts as introducing an element of inconsistency in the formulas for the Youth and Adult programs arising from states' ability to draw their own ASU boundaries.

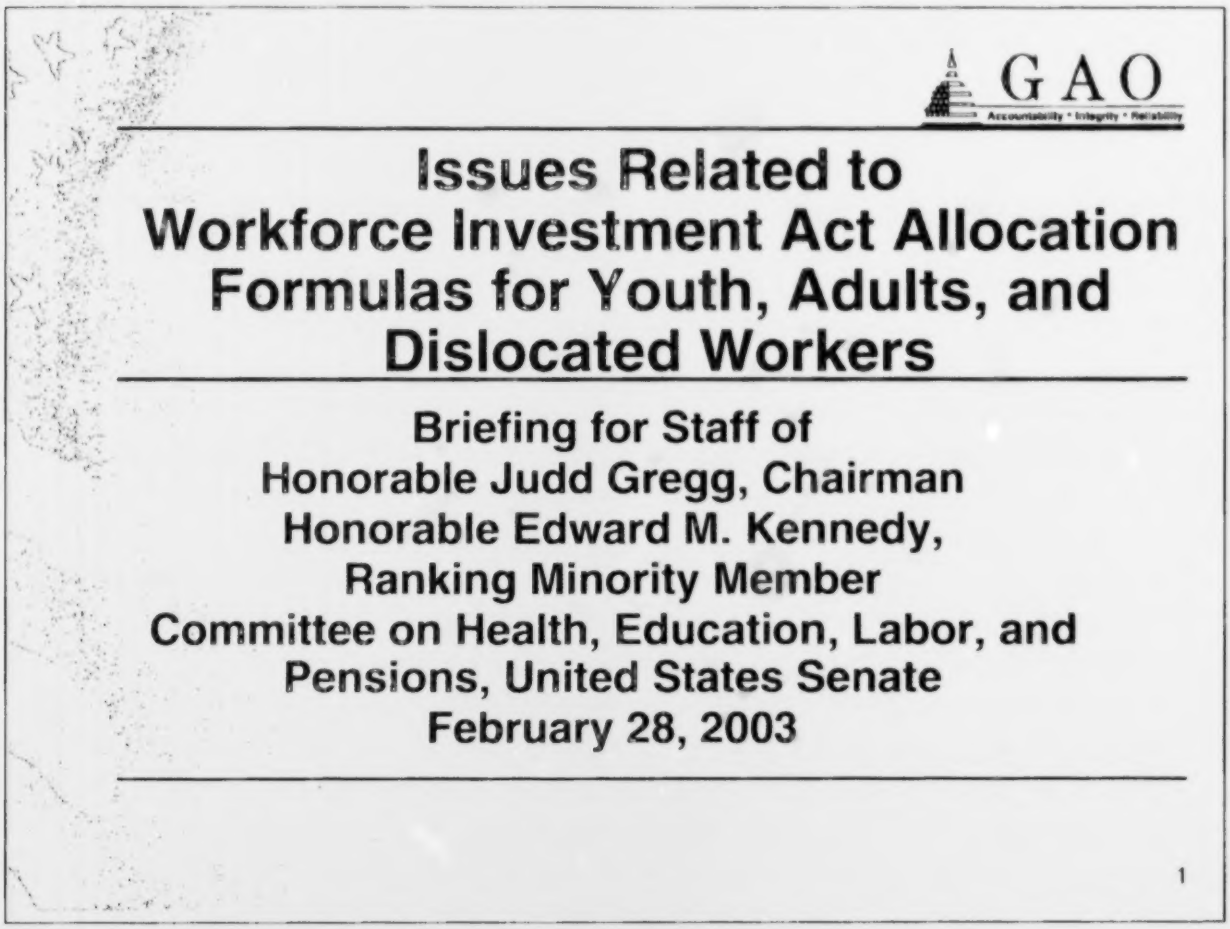
[9]These additional provisions have a significant effect on states' final allocations for the Youth and Adult programs, compared to what states would have received in the absence of these provisions. In 2002, these provisions resulted in allocation adjustments for the Youth program ranging from an 18-percent reduction to a 379-percent increase; for the Adult program, adjustments ranged from a 15-percent reduction to a 255-percent increase.

request. The report is also available at no charge on GAO's Web site at www.gao.gov. If you or your staff have any questions about this report, please contact me or Andrew Sherrill at (202) 512-7215. Regina Santucci and Lorin Obler also made key contributions to this report.



Sigurd R. Nilsen, Director
Education, Workforce, and
Income Security Issues

Appendix I: Workforce Investment Act Allocation Formulas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Issues Related to Workforce Investment Act Allocation Formulas for Youth, Adults, and Dislocated Workers
Briefing for Staff of
Honorable Judd Gregg, Chairman
Honorable Edward M. Kennedy,
Ranking Minority Member
Committee on Health, Education, Labor, and Pensions, United States Senate
February 28, 2003
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Objective

You asked us to identify problems with the current formulas used to allocate funds to states for the Workforce Investment Act (WIA) Youth, Adult, and Dislocated Worker Programs.

We focused on three key areas:

- Alignment between the factors used to distribute funds and the programs' target populations.
- Time lags in the data used to allocate funds.
- Fluctuations in states' allocations from year to year.

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Methodology

To perform our review of the WIA funding formulas, we

- examined the formula factors and their associated data sources,
- analyzed historical data on funding levels, and
- interviewed experts in this area.

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Summary of Findings

- A key goal of federal allocation formulas is to distribute program funds based on the relative numbers of people eligible to receive services. However, WIA funding allocation formulas reflect prior federal policies and have not changed to be in better alignment with current target populations.
- Data used in formulas are from 9 months to more than 10 years old and do not always reflect the current size of the eligible population.
- The Dislocated Worker Program formula in particular has led to volatility in yearly funding levels that appears to be unrelated to changing labor market conditions.

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Background: Workforce Investment Act of 1998

Passed in 1998, WIA changed the nation's workforce development system in several ways.

- Strengthened efforts to integrate employment and training services.
- Required that many employment and training services be provided through one-stop centers.
- Abolished the Job Training Partnership Act (JTPA) programs and consolidated year-round and summer youth programs into a single funding stream.
- Authorized three separate funding streams for the Youth, Adult, and Dislocated Worker Programs, and revised the eligibility requirements for these programs.

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Background: Funds Appropriated for WIA

Category	FY 2000[a]	FY 2001	FY 2002	FY 2003
Youth	$1.3 billion	$1.4 billion	$ 1.4 billion	$1.0 billion
Adult	950 million	950 million	950 million	899 million
Dislocated Worker	1.6 billion	1.4 billion	1.5 billion	1.4 billion
Total	**$3.9 billion**	**$3.8 billion**	**$3.9 billion**	**$3.3 billion**

[a]First year of full WIA implementation. Transition from JTPA began on July 1, 1999, and was to have been fully completed by July 1, 2000, the effective date for the repeal of JTPA.

Sources: Employment and Training Administration and detailed table data amounts related to the FY 2003 Omnibus Appropriations Bill for the U.S. House of Representatives Labor, HHS, Education Subcommittee (online at: www.house.gov/appropriations).

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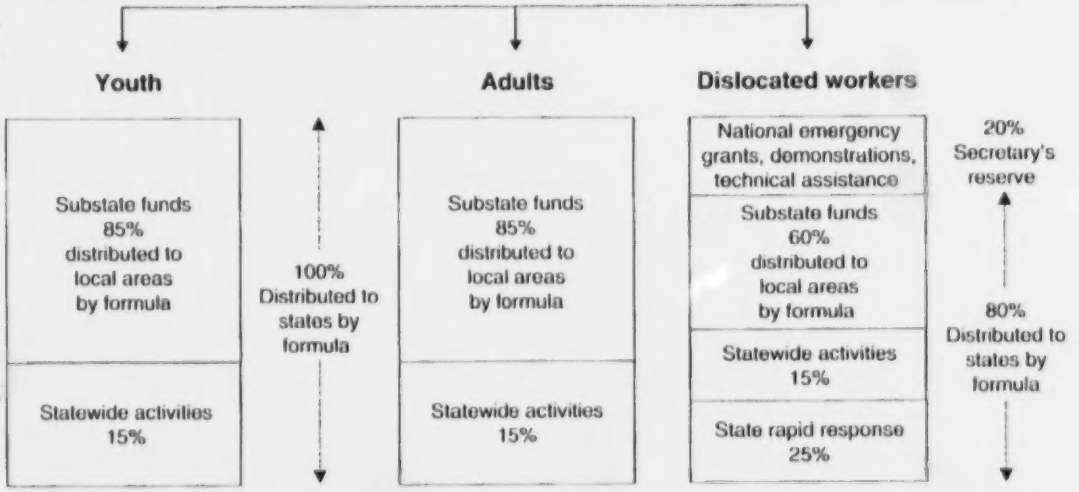
Background: WIA Funding Streams for Youth, Adults & Dislocated Workers

Separate funding streams for programs serving youth, adults, and dislocated workers


Youth
Substate funds 85% distributed to local areas by formula
Statewide activities 15%
100% Distributed to states by formula
Adults
Substate funds 85% distributed to local areas by formula
Statewide activities 15%
Dislocated workers
National emergency grants, demonstrations, technical assistance
Substate funds 60% distributed to local areas by formula
Statewide activities 15%
State rapid response 25%
20% Secretary's reserve
80% Distributed to states by formula

Source: Employment and Training Administration, and P.L. 105-220

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Background:
WIA Youth Program Allocation Formula

Funds distributed to states in equal thirds by three measures:

- **Economically Disadvantaged Youth**

  Relative numbers of individuals (ages 16 – 21) whose income or family income is below either the poverty line or 70 percent of the lower living standard income level (LLSIL), whichever is higher.

- **Areas of Substantial Unemployment** (ASUs)

  Relative numbers of unemployed individuals (ages 16 and older) in contiguous areas with populations of 10,000 or more and unemployment rates of 6.5 percent or higher.

- **Excess Unemployment**

  Relative numbers of unemployed individuals (ages 16 and older) in excess of 4.5 percent, either statewide or in ASUs.

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Background:
WIA Adult Program Allocation Formula

Funds distributed to states in equal thirds by three measures.

- **Economically Disadvantaged Adults**

  Relative numbers of individuals (ages 22 -72) whose income or family income is below either the poverty line or 70 percent of LLSIL, whichever is higher.

- **Areas of Substantial Unemployment**

  Relative numbers of unemployed individuals (ages 16 and older) in contiguous areas with populations of 10,000 or more and unemployment rates of 6.5 percent or higher.

- **Excess Unemployment**

  Relative numbers of unemployed individuals (ages 16 and older) in excess of 4.5 percent, either statewide or in ASUs.

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Background: Additional Statutory Provisions Affect Youth and Adult Allocations

Hold Harmless

If appropriations are greater than or equal to

- $ 1 billion for the Youth program or
- $960 million for the Adult program,

then each state receives either

- 100 percent of its FY 1998 funding under JTPA or
- 90 percent of its percentage of WIA funding in the prior year,

whichever is greater.

If appropriations for a program are less than the specified amounts, JTPA hold harmless provisions (90 percent of prior year percentage) apply.

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Continued: Additional Statutory Provisions Affect Youth and Adult Allocations

Small State Minimums (subject to Hold Harmless)

If appropriations are greater than or equal to

- $1 billion for the Youth program or
- $960 million for the Adult program,

then a state cannot receive less than 0.3 percent of the total appropriation up to these amounts, plus 0.4 percent of anything over these amounts.

If appropriations for a program are less than the specified amounts, JTPA minimums apply (at least 0.25 percent of the total appropriation).

Stop Gain

For both programs, no state may receive more than 130 percent of its prior year WIA allocation percentage.

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Background: WIA Dislocated Worker Program Allocation Formula

Funds distributed to states in equal thirds by three measures:

- **Unemployed Individuals**
  Relative numbers of unemployed individuals (16 and older).
- **Excess Unemployment**
  Relative numbers of unemployed individuals (16 and older) in excess of 4.5 percent unemployment statewide.
- **Long-Term Unemployment**
  Relative numbers of persons 16 and older unemployed for 15 weeks or longer.

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Current Formula Factors Are Carried Over from Prior Federal Job Training Programs

- The current formula factors have their roots in federal job training policies dating back to 1973. (See app. II.)
- A continuing focus on concentrated unemployment in local areas reflects Comprehensive Employment and Training Act (CETA) program elements:
  - Temporary public service job creation.
  - Allocations to local areas (rather than states).
- Formulas developed for JTPA in 1982 were carried over to WIA in an attempt to prevent major shifts in funding among states.

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Formula Factors Did Not Change to Reflect WIA Target Populations

WIA Youth Program

- Targets disadvantaged youth with barriers to employment, but current factors do not measure the relative numbers of youth with these barriers.
- Unemployment factors do not isolate youth unemployment.

WIA Adult Program

- While eligibility was broadened from JTPA to include all adults, there is no factor that captures the relative size of states' adult populations.

WIA Dislocated Worker Program

- Although the long-term unemployed are no longer automatically eligible as they were under JTPA, this factor continues to be used.

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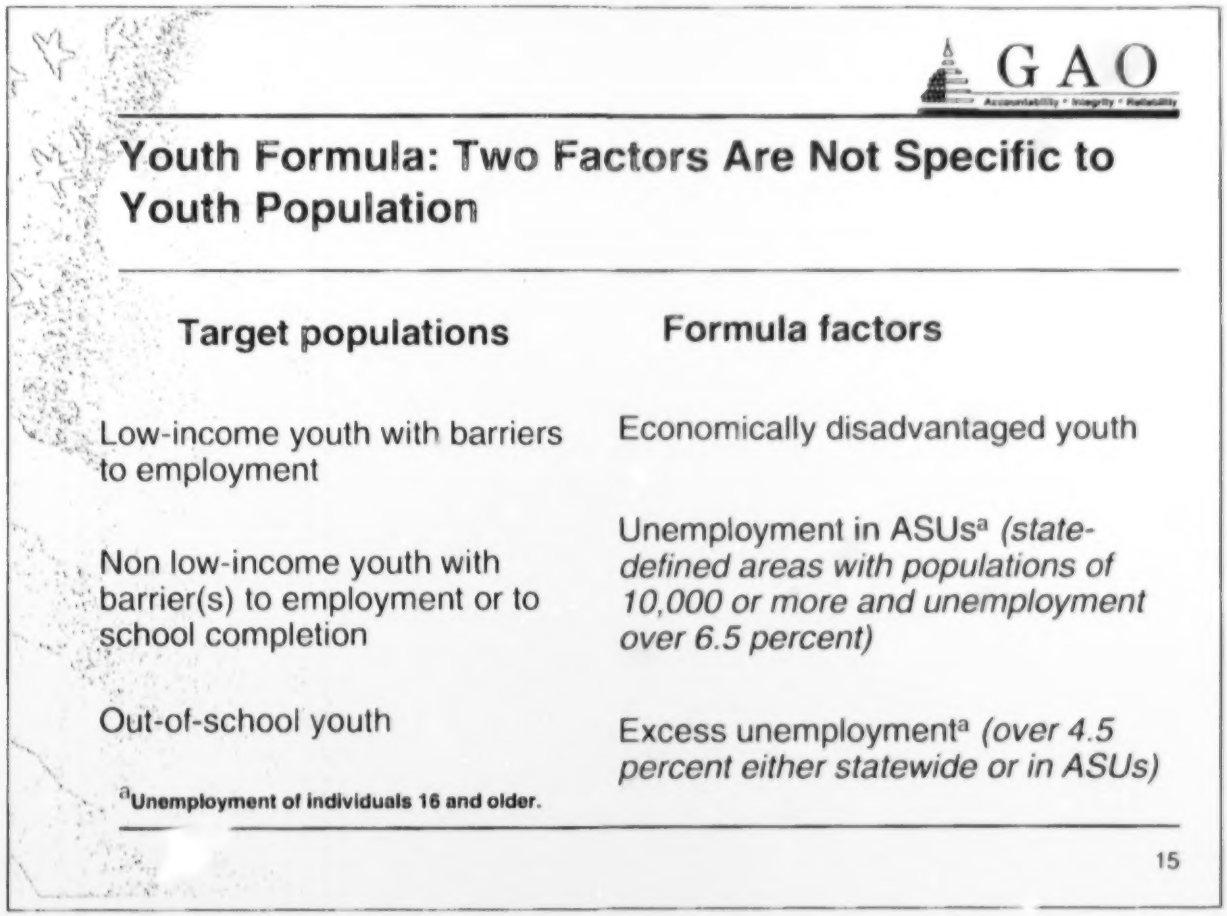
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Youth Formula: Two Factors Are Not Specific to Youth Population
Target populations
Formula factors
Low-income youth with barriers to employment
Economically disadvantaged youth
Non low-income youth with barrier(s) to employment or to school completion
Unemployment in ASUs[a] (state-defined areas with populations of 10,000 or more and unemployment over 6.5 percent)
Out-of-school youth
Excess unemployment[a] (over 4.5 percent either statewide or in ASUs)
[a]Unemployment of individuals 16 and older.
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Adult Formula: Factors Do Not Focus on Program's Broad New Target Population

Target populations	Formula factors
Adults 18 and older (for core services)	Unemployment in ASUs (*state-defined areas with populations of 10,000 or more and unemployment over 6.5 percent)*
	Excess unemployment *(over 4.5 percent either statewide or in ASUs)*
Public assistance recipients/ Low-income adults (have *priority* for intensive and training services where funds are limited)	Economically disadvantaged adults

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Dislocated Worker Formula: Factors Do Not Directly Measure Dislocation

Target populations	Formula factors
Terminated workers unlikely to return to previous jobs	Total unemployment
Workers affected by mass layoffs	Excess unemployment *(over 4.5 percent statewide)*
Self-employed workers who lose their jobs due to poor economy	Long-term unemployment *(15 weeks or longer)*
Displaced homemakers	

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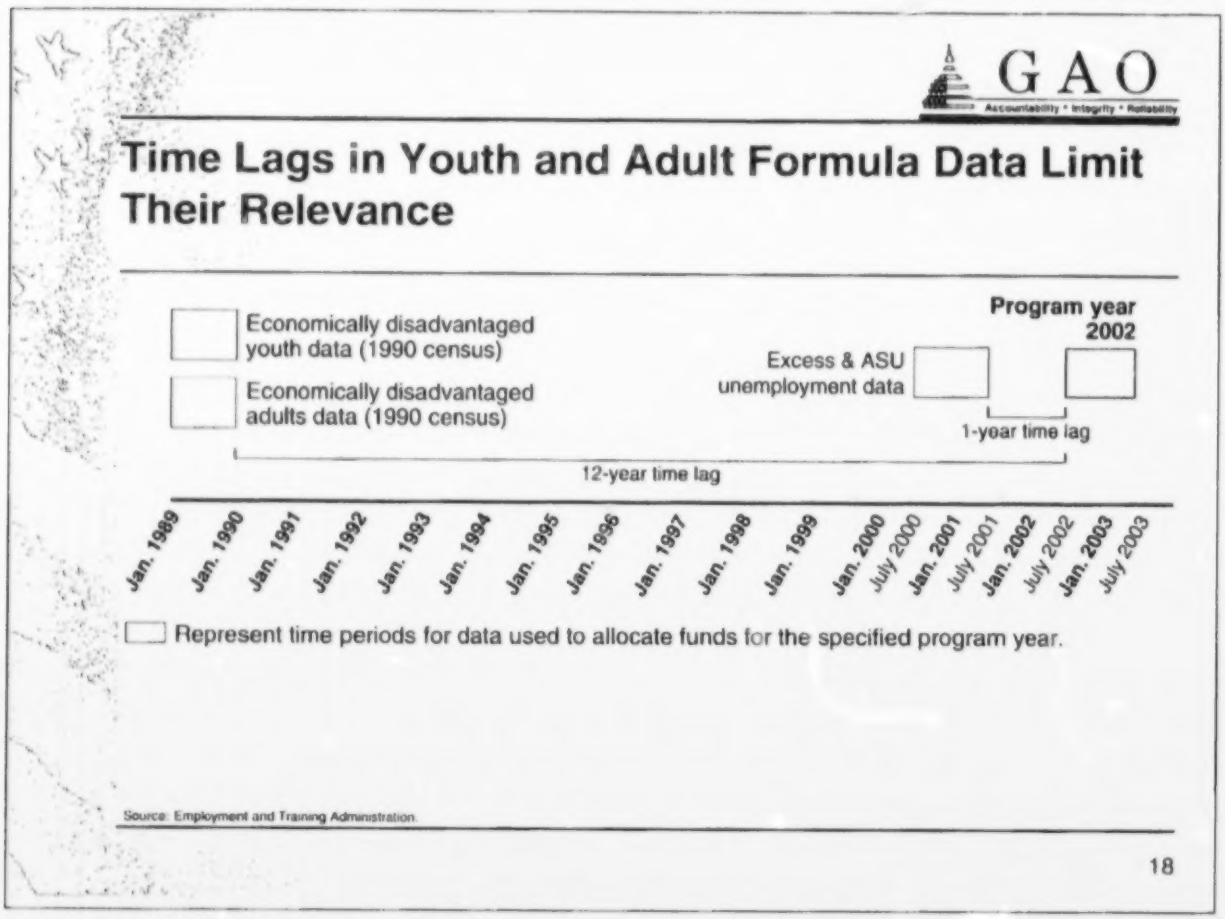
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Time Lags in Youth and Adult Formula Data Limit Their Relevance
Economically disadvantaged youth data (1990 census)
Economically disadvantaged adults data (1990 census)
Program year 2002
Excess & ASU unemployment data
1-year time lag
12-year time lag
Jan. 1989
Jan. 1990
Jan. 1991
Jan. 1992
Jan. 1993
Jan. 1994
Jan. 1995
Jan. 1996
Jan. 1997
Jan. 1998
Jan. 1999
Jan. 2000
July 2000
Jan. 2001
July 2001
Jan. 2002
July 2002
Jan. 2003
July 2003
Represent time periods for data used to allocate funds for the specified program year.
Source: Employment and Training Administration.
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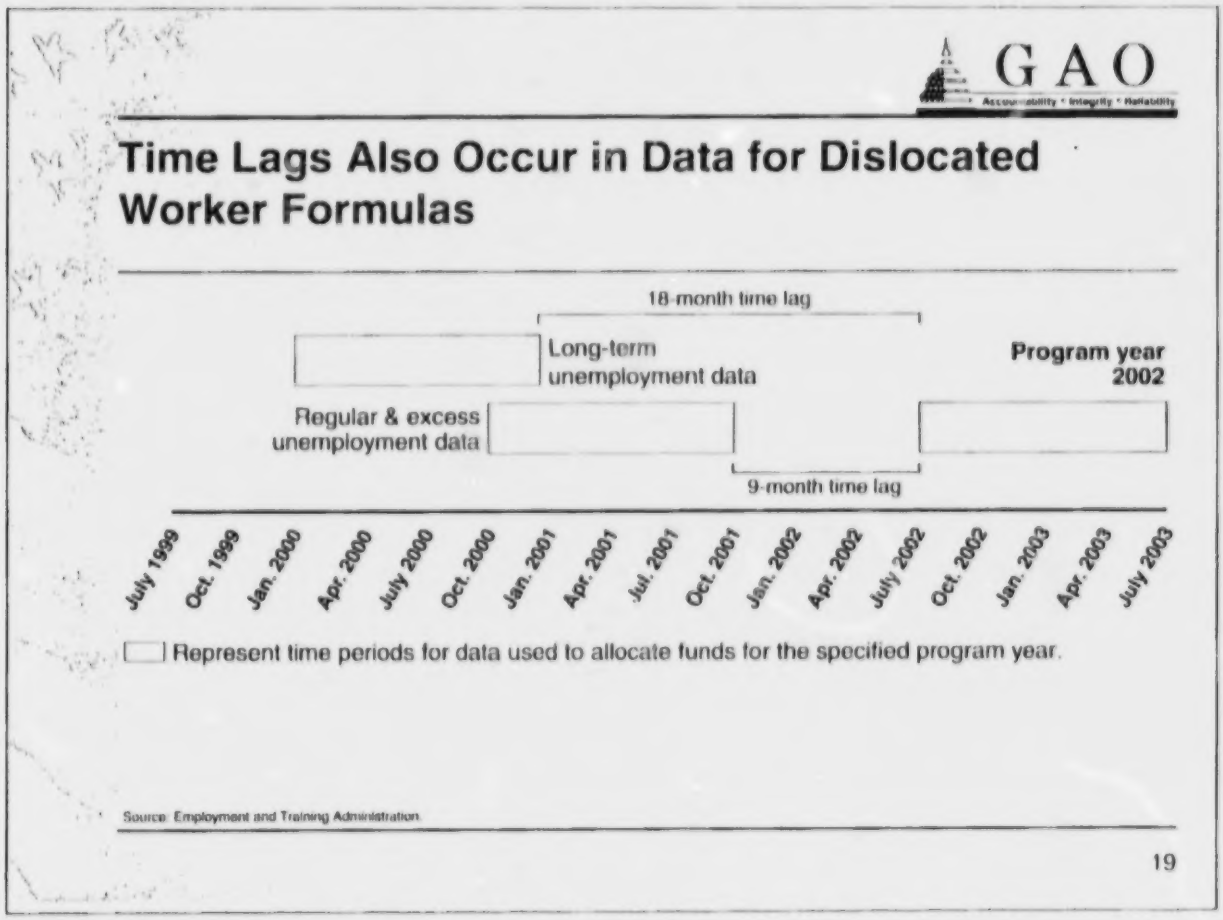
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Time Lags Also Occur in Data for Dislocated Worker Formulas
18-month time lag
Long-term unemployment data
Program year 2002
Regular & excess unemployment data
9-month time lag
July 1999
Oct. 1999
Jan. 2000
Apr. 2000
July 2000
Oct. 2000
Jan. 2001
Apr. 2001
Jul. 2001
Oct. 2001
Jan. 2002
Apr. 2002
July 2002
Oct. 2002
Jan. 2003
Apr. 2003
July 2003
Represent time periods for data used to allocate funds for the specified program year.
Source: Employment and Training Administration.
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Dislocated Worker Funding Is Volatile, in Part, because Eligible Population Fluctuates

- Dislocated Worker Program allocations are much more volatile from year to year than Youth and Adult allocations. (See app. V for Dislocated Worker allocations for program years 1997 to 2002.)
- Some degree of volatility is to be expected because, for the most part, changes in the populations targeted by the Dislocated Worker Program are more volatile than changes in the populations targeted by the Youth and Adult programs.
- However, allocations for a given program year may not always reflect dislocation activity experienced in that year, as shown in the following charts that focus on a single aspect of dislocation:

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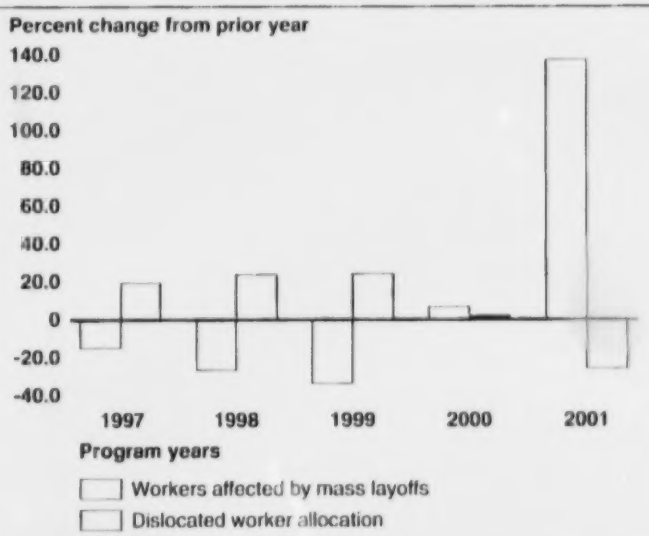
Funding Changes Do Not Always Appear to Match Changes in Dislocation—New York



Source: U.S. Department of Labor, Bureau of Labor Statistics and Employment and Training Administration.

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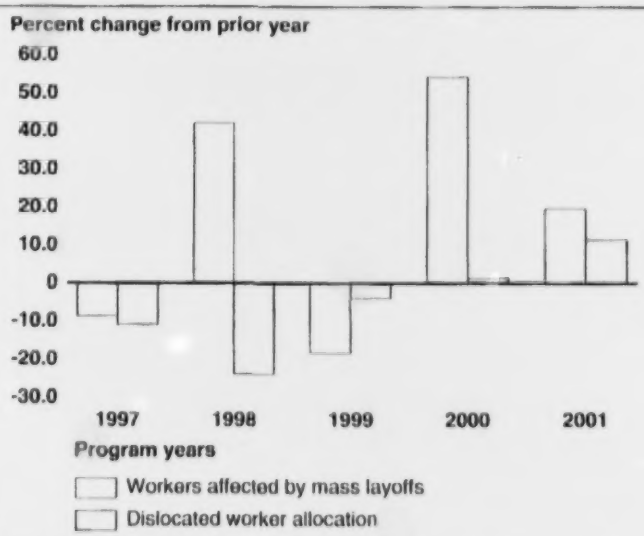
Funding Changes Do Not Always Appear to Match Changes in Dislocation–Massachusetts



Source: U.S. Department of Labor, Bureau of Labor Statistics and Employment and Training Administration.

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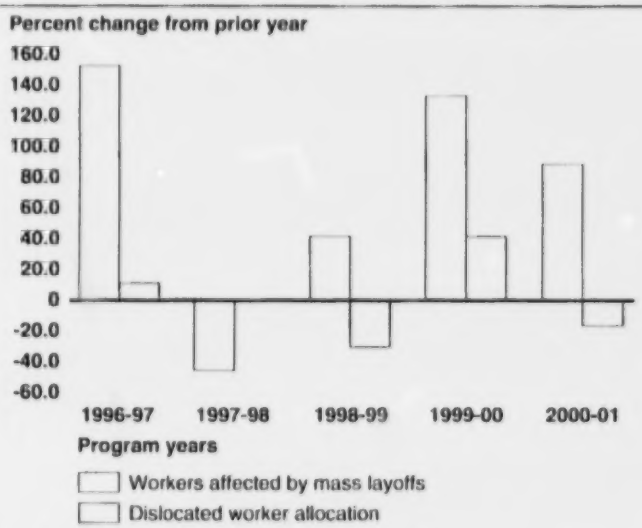
Funding Changes Do Not Always Appear to Match Changes in Dislocation—New Hampshire



Source: U.S. Department of Labor, Bureau of Labor Statistics and Employment and Training Administration.

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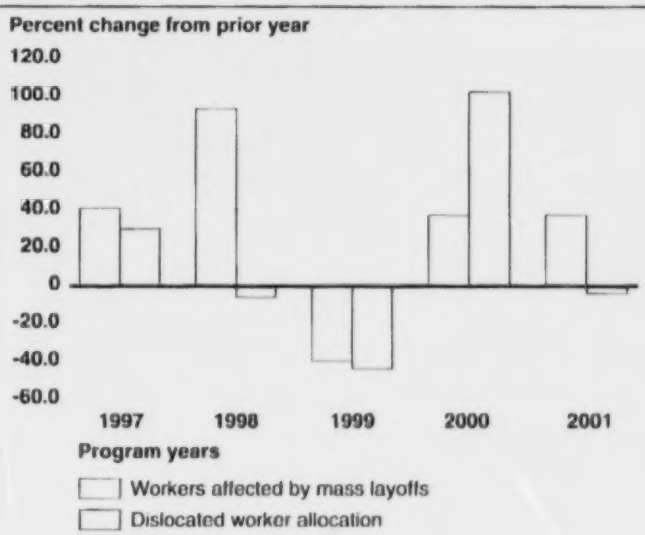
Funding Changes Do Not Always Appear to Match Changes in Dislocation–Washington



Source: U.S. Department of Labor, Bureau of Labor Statistics and Employment and Training Administration.

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Aspects of the Dislocated Worker Formula Further Contribute to Funding Volatility

- The Excess Unemployment factor has a "threshold" effect—states receive funds under this factor only if unemployment exceeds 4.5 percent—that results in shifts in funds that are not necessarily tied to shifts in levels of eligible populations.
- Whereas additional statutory provisions affect—and sometimes stabilize—Youth and Adult allocations, these provisions do not apply to Dislocated Worker allocations.

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Excess Unemployment Factor Causes Some Volatility Unrelated to Changes in Unemployment

- "Threshold" effect prevents some states from receiving funds under the excess unemployment factor.
- The size of each qualifying state's portion can vary considerably from year to year, depending on how many states qualify to share these funds. (The number of states sharing funds under this factor declined from 36 in PY 1997 to 13 in PY 2001, and increased to 18 in PY 2002.)
- More states may qualify for excess unemployment funds in PY 2003, as unemployment rates nationally are increasing:

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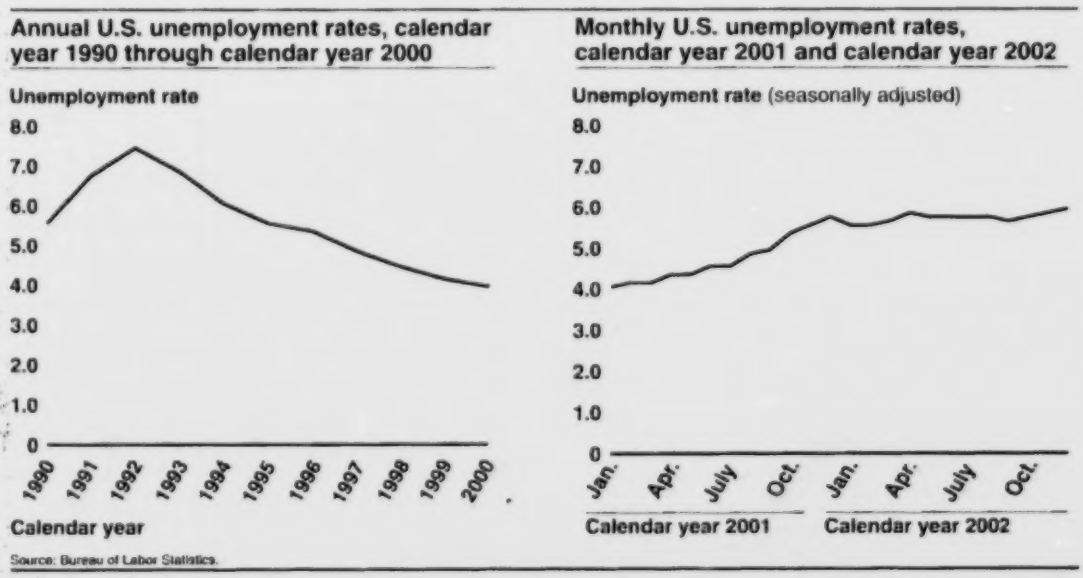
After Years of Decline, National Unemployment Rates are Increasing



Source: Bureau of Labor Statistics.

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Excess Unemployment Factor Causes Some Volatility Unrelated to Changes in Unemployment

- Excess unemployment is calculated differently for the Dislocated Worker Program than for the Youth and Adult programs, which contributes to volatility because fewer states are likely to meet the threshold condition under the Dislocated Worker formula.
  - Under the Youth and Adult programs, states may use unemployment in Areas of Substantial Unemployment (ASUs) to qualify for excess unemployment funds, increasing their likelihood of meeting the threshold condition.
- "Threshold" aspect of this factor assumes that states' funding needs for dislocated worker funds rise or fall sharply when unemployment moves above or below 4.5 percent, an assumption that may not be valid, and which can result in different treatment of states with similar overall changes in unemployment.

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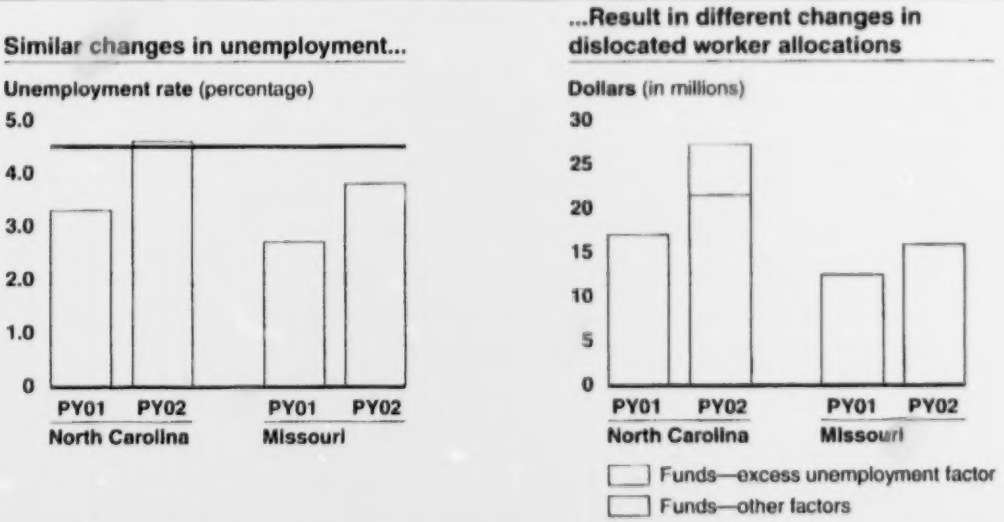
"Threshold" Effect: States with Similar Increases in Unemployment Are Treated Differently



Source: Employment and Training Administration and GAO analysis.

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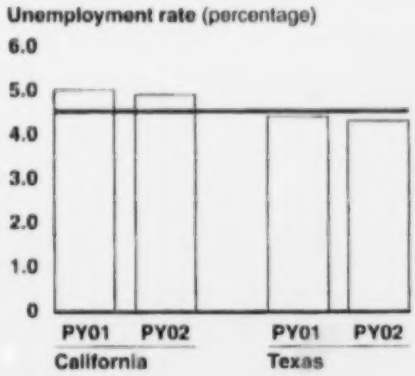
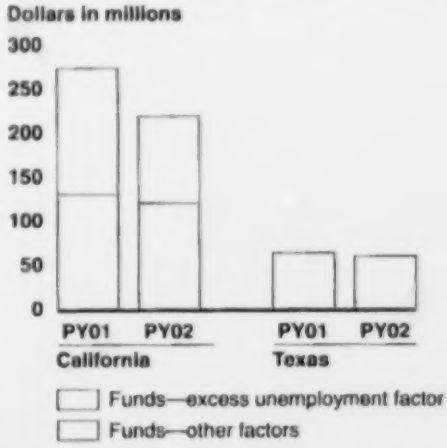
"Threshold" Effect: States with Similar Decreases in Unemployment Are Treated Differently

Similar changes in unemployment...



...Result in different changes in dislocated worker allocations



Source: Employment and Training Administration and GAO analysis.

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Additional Statutory Provisions Only Apply to Youth and Adult Programs

- Additional statutory provisions (90 percent Hold Harmless, Small State Minimums, 130 percent Stop Gain), designed to limit funding changes from one program year to the next, apply only to Youth and Adult program funds and not to Dislocated Worker Program funds.
- PY 2002 Youth and Adult program funds for all 50 states, the District of Columbia, and Puerto Rico were adjusted under the stabilization provisions.
- While these provisions prevent dramatic shifts in funding from year to year, they also result in allocations that may not as closely track changes in the program target populations.
- Adjustments to the PY 2002 allocation amounts based on formula data only ranged from an 18-percent decrease in NC to a 379-percent increase in NH for Youth program funds. Adjustments for Adult program funds ranged from a 15-percent decrease in NC to a 255-percent increase in NH. (See app. III-A and III-B.)

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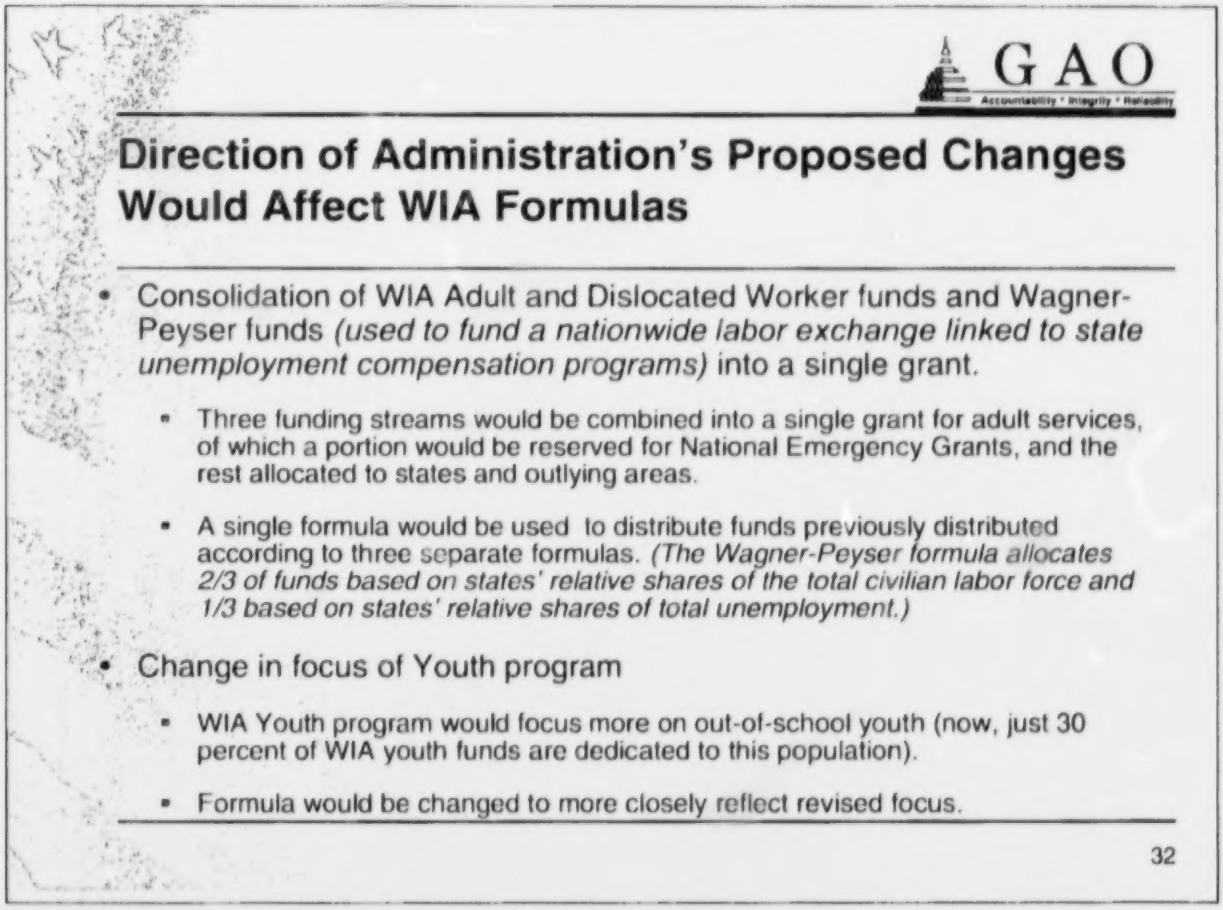
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Direction of Administration's Proposed Changes Would Affect WIA Formulas
• Consolidation of WIA Adult and Dislocated Worker funds and Wagner-Peyser funds (used to fund a nationwide labor exchange linked to state unemployment compensation programs) into a single grant.
▪ Three funding streams would be combined into a single grant for adult services, of which a portion would be reserved for National Emergency Grants, and the rest allocated to states and outlying areas.
▪ A single formula would be used to distribute funds previously distributed according to three separate formulas. (The Wagner-Peyser formula allocates 2/3 of funds based on states' relative shares of the total civilian labor force and 1/3 based on states' relative shares of total unemployment.)
• Change in focus of Youth program
▪ WIA Youth program would focus more on out-of-school youth (now, just 30 percent of WIA youth funds are dedicated to this population).
▪ Formula would be changed to more closely reflect revised focus.
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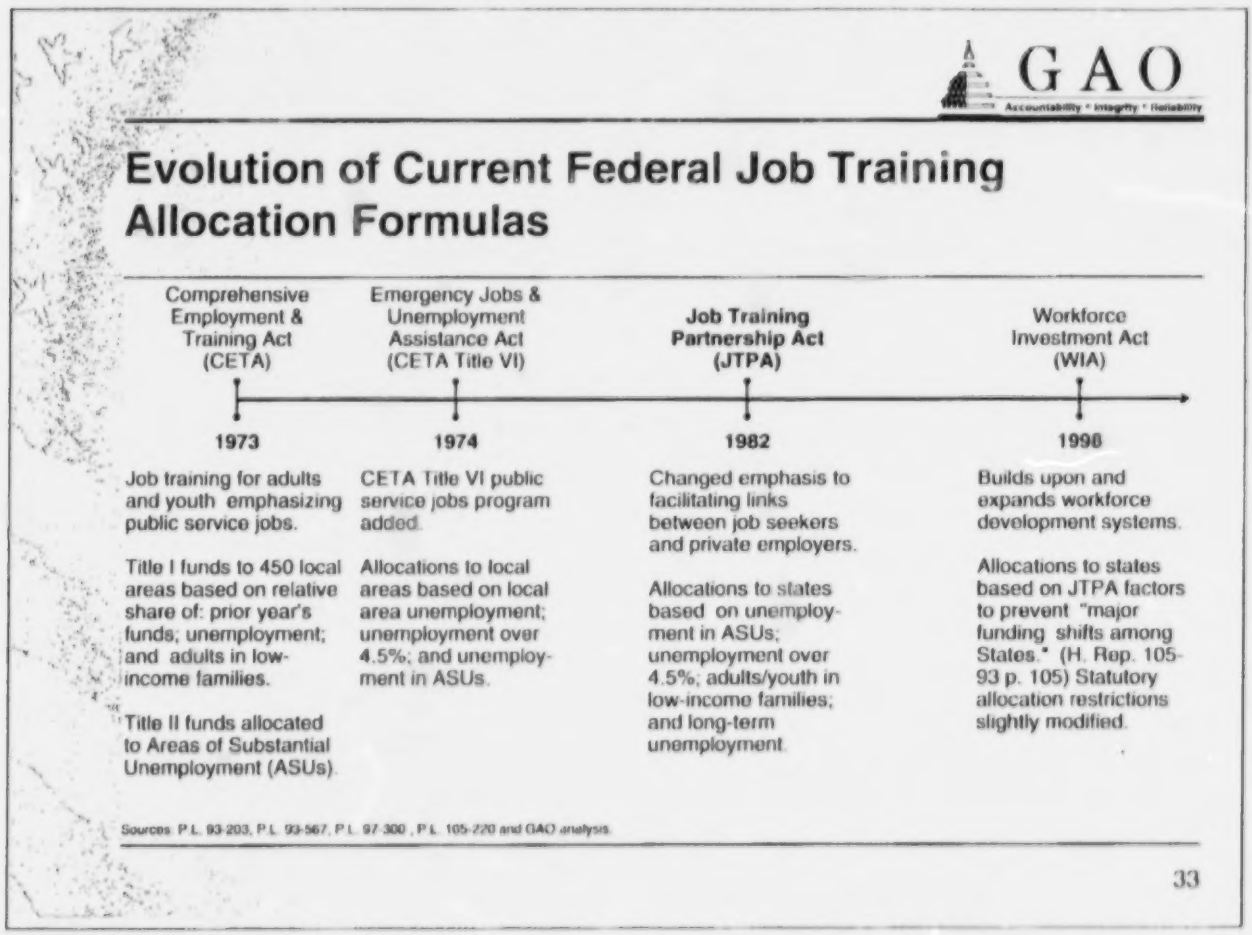
Appendix II: Current Federal Job Training Allocation Formulas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Evolution of Current Federal Job Training Allocation Formulas
Comprehensive Employment & Training Act (CETA)
Emergency Jobs & Unemployment Assistance Act (CETA Title VI)
Job Training Partnership Act (JTPA)
Workforce Investment Act (WIA)
1973
1974
1982
1998
Job training for adults and youth emphasizing public service jobs.
Title I funds to 450 local areas based on relative share of: prior year's funds; unemployment; and adults in low-income families.
Title II funds allocated to Areas of Substantial Unemployment (ASUs).
CETA Title VI public service jobs program added.
Allocations to local areas based on local area unemployment; unemployment over 4.5%; and unemployment in ASUs.
Changed emphasis to facilitating links between job seekers and private employers.
Allocations to states based on unemployment in ASUs; unemployment over 4.5%; adults/youth in low-income families; and long-term unemployment.
Builds upon and expands workforce development systems.
Allocations to states based on JTPA factors to prevent "major funding shifts among States." (H. Rep. 105-93 p. 105) Statutory allocation restrictions slightly modified.
Sources: P.L. 93-203, P.L. 93-567, P.L. 97-300 , P.L. 105-220 and GAO analysis.
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Appendix III: Program Year 2002 Youth and Adult Allocations (Increases and Decreases)

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Increases in PY 2002 Youth and Adult Allocations Due to Additional Statutory Provisions

	Youth program			Adult program			
	PY 2002 calculated allocation amounts		Increase	PY 2002 calculated allocation amounts		Increase
States	(a) Based on formula only	(b) Based on formula and additional statutory provisions	(b - a)/a	(c) Based on formula only	(d) Based on formula and additional statutory provisions	(d - c)/c
New Hampshire	715,836	3,430,651	379.3%	668,882	2,369,083	255.3%
Vermont	901,470	3,430,651	280.6%	789,742	2,369,083	200.0%
Delaware	1,010,397	3,430,651	239.5%	849,435	2,369,083	178.9%
Wyoming	1,012,742	3,430,651	238.7%	908,298	2,369,083	160.8%
Connecticut	2,881,224	9,511,625	229.9%	985,291	2,369,083	140.4%
North Dakota	1,133,372	3,430,651	202.7%	2,550,540	6,063,908	137.7%
South Dakota	1,349,656	3,430,651	154.2%	1,179,440	2,369,083	100.8%
Hawaii	2,841,813	5,519,083	108.9%	2,472,473	4,900,302	98.2%
Massachusetts	7,723,256	16,005,091	107.2%	5,868,889	8,312,094	41.6%
Rhode Island	2,217,049	3,430,651	54.7%	7,204,275	10,111,684	40.4%
Maine	2,577,114	3,835,799	48.8%	2,291,308	2,971,294	29.7%
Oklahoma	6,618,722	9,427,218	42.4%	2,011,530	2,369,083	17.8%
Virginia	11,783,329	16,534,311	40.2%	10,169,531	11,230,578	10.4%
New Jersey	21,170,544	29,273,699	38.3%	11,145,418	12,114,474	8.7%
Nebraska	2,620,410	3,430,651	30.9%	9,084,373	9,567,780	4.8%
Colorado	5,802,515	7,246,178	24.9%	69,244,889	72,565,836	4.8%
Indiana	11,693,867	13,604,861	16.3%	2,267,284	2,369,083	4.5%
South Carolina	13,001,300	14,835,516	14.1%	74,867,081	77,819,062	3.9%
Iowa	3,538,697	4,020,870	13.6%	3,085,653	3,188,888	3.7%
Oregon	12,885,869	13,507,207	5.0%	5,033,891	5,181,589	3.1%
Kentucky	16,354,623	17,117,753	4.7%	11,114,770	11,428,538	2.8%
New York	77,147,978	78,384,480	1.6%	18,815,448	18,944,895	1.2%
West Virginia	10,454,528	10,601,815	1.4%	17,917,927	18,010,587	0.5%
Texas	91,132,617	91,315,921	0.2%			

Source: Employment and Training Administration and GAO analysis.

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Decreases in PY 2002 Youth and Adult Allocations Due to Stabilization Provisions

Youth program

State	PY 2002 calculated allocation amounts (a) Based on formula only	(b) Based on formula and additional statutory provisions	Decrease (b - a) / a
North Carolina	28,566,800	23,476,856	-17.8%
Alaska	4,510,355	4,059,320	-10.0%
Washington	33,601,738	30,636,787	-9.7%
Illinois	63,047,926	57,523,690	-8.8%
California	190,278,862	174,352,854	-8.4%
Ohio	50,665,105	46,654,314	-7.9%
Kansas	8,711,582	8,190,812	-7.8%
Nevada	5,398,963	4,983,868	-7.7%
Maryland	14,876,887	13,734,681	-7.7%
Idaho	5,094,706	4,707,720	-7.6%
Michigan	41,863,602	38,712,384	-7.5%
Alabama	27,505,851	25,901,913	-7.1%
Pennsylvania	42,259,384	39,258,858	-7.1%
Tennessee	22,668,174	21,110,535	-6.9%
Arizona	20,103,894	18,724,084	-6.9%
Louisiana	29,491,340	27,488,847	-6.8%
Puerto Rico	58,868,215	55,047,926	-6.5%
Wisconsin	13,887,145	12,972,886	-6.6%
Mississippi	18,439,417	17,273,760	-6.3%
Arkansas	11,693,973	10,958,513	-6.3%
Montana	4,278,578	4,029,749	-5.8%
Missouri	16,895,789	15,939,867	-5.7%
New Mexico	10,871,830	10,371,230	-4.6%
Minnesota	11,774,433	11,286,720	-4.1%
District of Columbia	4,251,877	4,134,267	-2.8%
Georgia	21,265,438	20,753,889	-2.4%
Florida	41,124,059	40,269,848	-2.1%
Utah	3,868,365	3,803,175	-1.7%

Adult program

State	PY 2002 calculated allocation amounts (d) Based on formula only	(e) Based on formula and additional statutory provisions	Decrease (e - d) / d
North Carolina	24,712,125	21,000,594	-15.0%
Michigan	35,132,091	31,915,187	-9.2%
Alaska	3,847,515	3,627,808	-5.7%
Washington	28,870,814	27,274,810	-5.5%
Kansas	5,851,623	5,583,012	-4.8%
Illinois	53,699,598	51,107,313	-4.8%
California	158,314,135	150,741,436	-4.8%
Wisconsin	11,930,372	11,417,248	-4.3%
Ohio	43,509,086	41,709,042	-4.1%
Idaho	4,280,568	4,104,687	-4.1%
Nevada	4,839,480	4,455,812	-4.0%
Maryland	13,006,706	12,516,336	-3.8%
New Mexico	9,205,480	8,870,823	-3.6%
Alabama	19,259,319	18,567,868	-3.6%
Arizona	18,851,829	18,247,051	-3.6%
Mississippi	15,007,565	14,484,583	-3.5%
Louisiana	25,032,857	24,177,060	-3.4%
Pennsylvania	37,405,060	36,183,794	-3.3%
Tennessee	19,720,921	19,078,725	-3.3%
Puerto Rico	50,780,901	49,183,483	-3.2%
Arkansas	10,000,680	9,708,232	-2.9%
District of Columbia	3,670,748	3,574,178	-2.6%
Missouri	14,882,377	14,329,577	-2.4%
Florida	38,649,800	35,800,888	-2.3%
Montana	3,839,584	3,753,108	-2.3%
Indiana	9,804,977	9,743,188	-1.6%
Minnesota	10,069,651	9,926,238	-1.4%
Kentucky	14,492,879	14,391,853	-0.7%
Utah	2,883,711	2,871,770	-0.4%

Source: Employment and Training Administration and GAO analysis.

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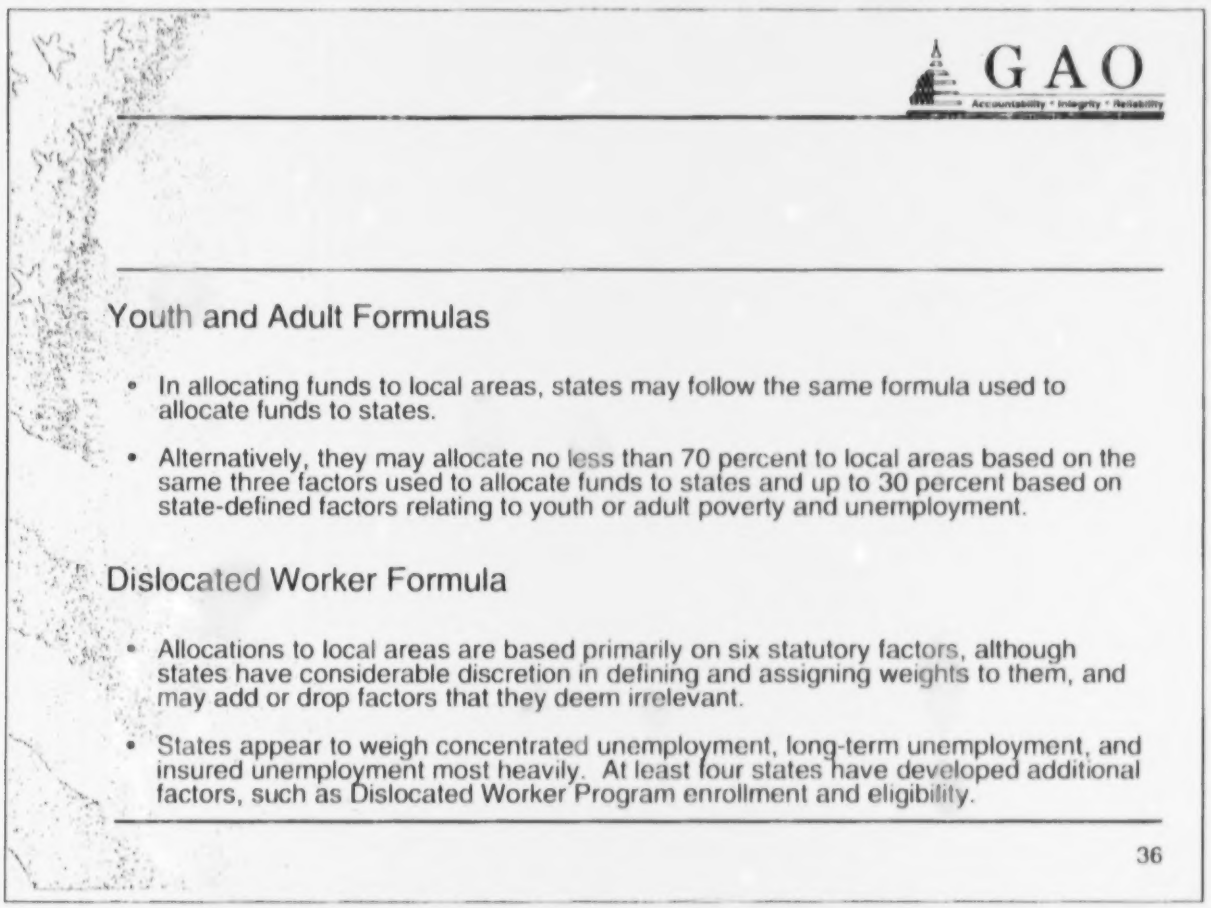
Appendix IV: States Have Some Discretion in Substate Allocation Formulas


GAO
Youth and Adult Formulas
• In allocating funds to local areas, states may follow the same formula used to allocate funds to states.
• Alternatively, they may allocate no less than 70 percent to local areas based on the same three factors used to allocate funds to states and up to 30 percent based on state-defined factors relating to youth or adult poverty and unemployment.
Dislocated Worker Formula
• Allocations to local areas are based primarily on six statutory factors, although states have considerable discretion in defining and assigning weights to them, and may add or drop factors that they deem irrelevant.
• States appear to weigh concentrated unemployment, long-term unemployment, and insured unemployment most heavily. At least four states have developed additional factors, such as Dislocated Worker Program enrollment and eligibility.
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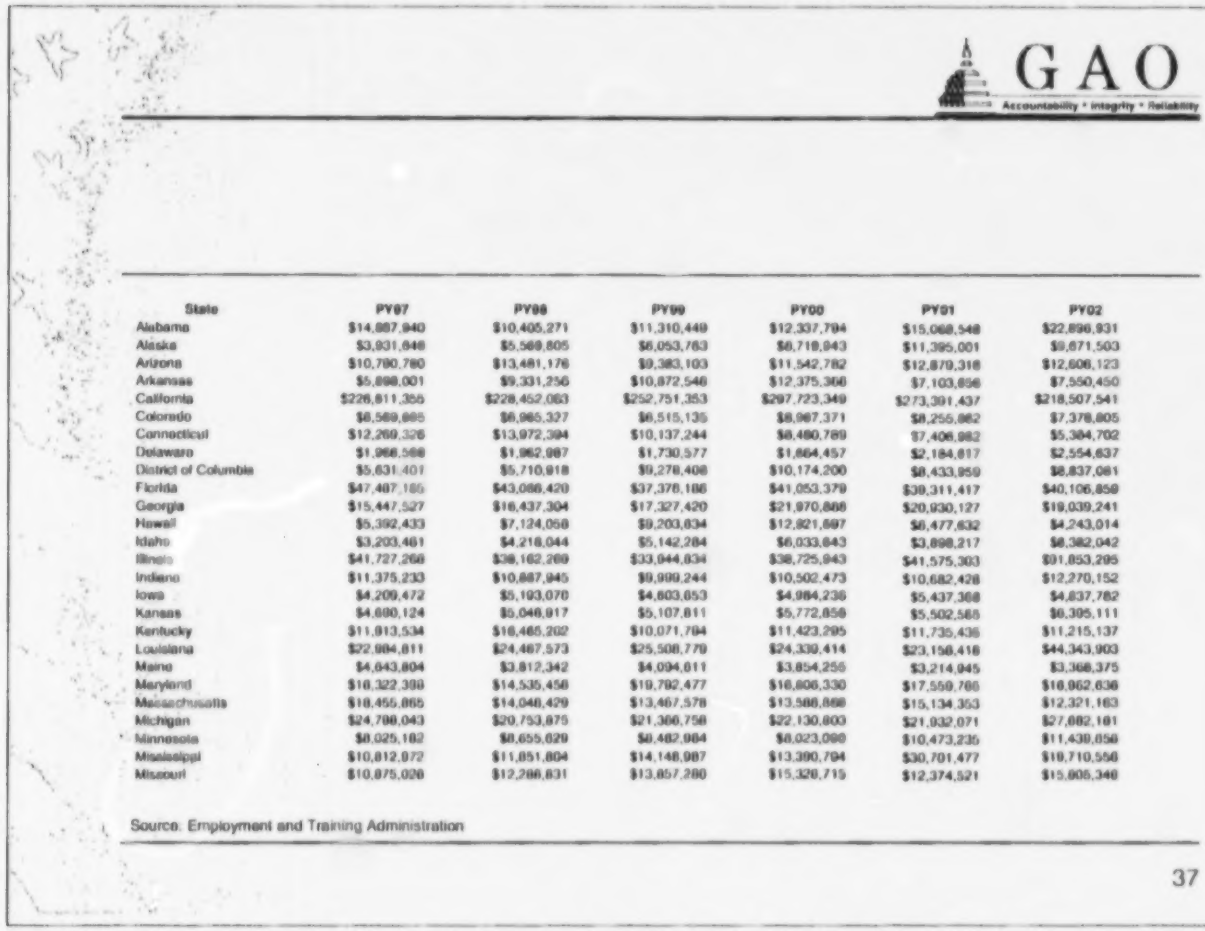
Appendix V: State Dislocated Worker Allocations, PY 1997—PY 2002



State	PY97	PY98	PY99	PY00	PY01	PY02
Alabama	$14,887,940	$10,405,271	$11,310,449	$12,337,794	$15,068,548	$22,896,931
Alaska	$3,931,848	$5,569,805	$6,053,763	$6,719,943	$11,395,001	$9,671,503
Arizona	$10,780,780	$13,481,176	$9,383,103	$11,542,782	$12,879,318	$12,606,123
Arkansas	$5,898,001	$9,331,256	$10,872,546	$12,375,366	$7,103,856	$7,550,450
California	$226,811,356	$228,452,063	$252,751,353	$297,723,349	$273,391,437	$218,507,541
Colorado	$8,569,885	$6,985,327	$6,515,135	$8,987,371	$8,255,862	$7,378,805
Connecticut	$12,269,326	$13,972,394	$10,137,244	$8,480,789	$7,406,982	$5,384,702
Delaware	$1,968,568	$1,962,987	$1,730,577	$1,864,457	$2,184,817	$2,554,637
District of Columbia	$5,631,401	$5,710,918	$9,278,408	$10,174,200	$8,433,959	$8,837,081
Florida	$47,487,186	$43,086,420	$37,376,186	$41,053,379	$39,311,417	$40,106,859
Georgia	$15,447,527	$16,437,304	$17,327,420	$21,970,868	$20,930,127	$19,039,241
Hawaii	$5,392,433	$7,124,058	$9,203,834	$12,821,897	$6,477,832	$4,243,014
Idaho	$3,203,461	$4,218,044	$5,142,284	$6,033,843	$3,898,217	$8,382,042
Illinois	$41,727,268	$38,162,269	$33,044,834	$38,725,943	$41,575,303	$91,853,295
Indiana	$11,375,233	$10,887,945	$9,999,244	$10,502,473	$10,682,428	$12,270,152
Iowa	$4,209,472	$5,193,070	$4,803,653	$4,984,236	$5,437,368	$4,837,782
Kansas	$4,690,124	$5,046,917	$5,107,811	$5,772,859	$5,502,585	$6,395,111
Kentucky	$11,913,534	$16,465,202	$10,071,794	$11,423,295	$11,735,436	$11,215,137
Louisiana	$22,984,811	$24,467,573	$25,508,779	$24,339,414	$23,158,418	$44,343,903
Maine	$4,643,804	$3,812,342	$4,094,611	$3,854,256	$3,214,945	$3,368,375
Maryland	$16,322,398	$14,535,456	$19,792,477	$16,606,330	$17,559,786	$16,962,636
Massachusetts	$18,455,865	$14,046,429	$13,467,578	$13,588,868	$15,134,353	$12,321,163
Michigan	$24,788,043	$20,753,875	$21,366,758	$22,130,803	$21,932,071	$27,682,181
Minnesota	$8,025,182	$8,655,629	$8,482,984	$8,023,090	$10,473,235	$11,439,856
Mississippi	$10,812,972	$11,851,804	$14,148,987	$13,390,794	$30,701,477	$19,710,556
Missouri	$10,875,026	$12,286,831	$13,857,280	$15,328,715	$12,374,521	$15,806,348

Source: Employment and Training Administration

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State	PY97	PY98	PY99	PY00	PY01	PY02
Montana	$3,531,457	$2,892,798	$4,879,006	$6,417,081	$7,084,638	$3,291,112
Nebraska	$1,594,122	$1,965,472	$1,997,095	$2,386,261	$2,997,707	$2,775,031
Nevada	$4,832,379	$4,648,561	$3,910,433	$5,076,189	$5,334,057	$6,647,377
New Hampshire	$2,260,095	$2,272,311	$1,583,448	$2,247,442	$1,877,882	$2,261,165
New Jersey	$44,879,005	$43,261,829	$36,304,389	$30,833,430	$30,498,439	$26,515,562
New Mexico	$8,507,771	$12,173,813	$14,447,813	$20,907,033	$21,923,521	$17,896,491
New York	$91,917,963	$113,707,688	$141,469,827	$142,360,726	$105,559,534	$67,370,751
North Carolina	$13,056,615	$13,313,849	$14,354,831	$16,906,822	$16,959,265	$27,209,712
North Dakota	$911,735	$812,799	$791,223	$1,421,909	$1,279,725	$1,198,337
Ohio	$30,158,145	$30,143,462	$28,150,483	$30,844,022	$34,309,127	$34,226,758
Oklahoma	$6,134,591	$5,531,341	$6,881,200	$8,085,953	$6,561,885	$6,478,067
Oregon	$8,282,745	$15,100,295	$17,668,366	$30,420,464	$28,811,913	$29,731,969
Pennsylvania	$47,738,539	$45,002,986	$36,555,932	$38,179,716	$38,706,630	$41,563,107
Puerto Rico	$39,306,758	$49,534,488	$62,314,462	$108,278,443	$168,101,876	$122,346,374
Rhode Island	$4,450,933	$3,588,822	$3,851,636	$2,924,830	$2,885,714	$2,680,620
South Carolina	$13,502,936	$16,723,308	$8,163,435	$9,726,336	$11,936,257	$11,995,901
South Dakota	$815,418	$890,691	$986,630	$1,477,871	$1,283,809	$985,071
Tennessee	$15,412,716	$16,581,291	$14,120,459	$14,194,628	$12,771,543	$13,927,456
Texas	$81,382,699	$81,009,852	$74,819,227	$74,756,662	$63,747,179	$59,784,453
Utah	$2,503,785	$2,446,846	$3,229,390	$4,343,544	$4,430,131	$4,334,469
Vermont	$1,060,691	$1,298,100	$1,391,491	$1,220,468	$1,240,882	$1,308,794
Virginia	$13,354,807	$14,527,059	$13,872,204	$12,359,788	$12,424,713	$11,111,384
Washington	$26,317,878	$24,728,657	$13,905,356	$26,220,707	$27,110,437	$68,485,802
West Virginia	$12,085,944	$13,035,793	$16,082,147	$23,364,426	$25,423,973	$15,231,628
Wisconsin	$8,781,150	$9,028,070	$9,944,567	$11,506,979	$12,880,353	$15,314,830
Wyoming	$999,905	$1,299,464	$1,204,056	$1,921,722	$1,663,175	$1,285,545

Source: Employment and Training Administration

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Related GAO Products

Multiple Employment and Training Programs: Funding and Performance Measures for Major Programs. GAO-03-589. Washington, D.C.: April 18, 2003.

Labor Market Information: Trends and Issues in Funding of State Programs. GAO-03-336. Washington, D.C.: December 20, 2002.

Workforce Investment Act: States' Spending Is on Track, but Better Guidance Would Improve Financial Reporting. GAO-03-239. Washington, D.C.: November 22, 2002

Workforce Investment Act: Interim Report on Status of Spending and States' Available Funds. GAO-02-1074. Washington, D.C.: September 5, 2002.

Workforce Investment Act: Better Guidance and Revised Funding Formula Would Enhance Dislocated Worker Program. GAO-02-274. Washington, D.C.: February 11, 2002.

Workforce Investment Act: Improvements Needed in Performance Measures to Provide a More Accurate Picture of WIA's Effectiveness. GAO-02-275. Washington, D.C.: February 1, 2002.

Formula Grants: Effects of Adjusted Population Counts on Federal Funding to States. GAO/HEHS-99-69. Washington, D.C.: February 26, 1999.

Federal Grants: Design Improvements Could Help Federal Resources Go Further. GAO/AIMD-97-7. Washington, D.C.: December 18, 1996.

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